

A decorative graphic on the left side of the page, consisting of two vertical bars. The left bar is teal with diagonal lines, and the right bar is blue with diagonal lines.

Sustainable Investment Report 2022

WTW Discretionary Delegated Portfolios

[wtwco.com](https://www.wtwco.com)

A word from
our CIO

At a glance

Pioneering innovation -
Climate Transition Index

Investing today for a
more sustainable future

Managing
climate risk

Culture, Inclusion
and Diversity

Stewardship

WTW
collaborations

Sustainable Investment Report 2022

WTW Discretionary Delegated Portfolios (as at 31 December 2021)



Table of contents

A word from our CIO.....	3
At a glance.....	5
Pioneering innovation - Climate Transition Index	6
Investing today for a more sustainable future	7
Managing climate risk.....	10
Culture, Inclusion and Diversity	14
Stewardship	18
WTW collaborations.....	21



A word from our CIO

Despite the tragic events unfolding in the Ukraine, we want to look back at 2021, which should be seen as a year of optimism. As vaccines are slowly deployed across the world and we take greater control of our lives following the terrible effects of the global pandemic, we are looking to a new normal, one where we take greater responsibility for the impact we have on society and the environment. Progress can be achieved in many ways, therefore, we should look positively at the plethora of action taken by individuals, companies and countries to address the many issues that we face today.

In [last year's report](#), we talked about our purpose of investing today for a more sustainable tomorrow, our core values, and our culture all being foundational to how we act and invest. This year, we expand on our governance and processes to continuously evolve the integration of sustainable investment into everything we do. This report also expands on previous versions to cover both our pooled fund and total fund delegated solutions that we offer around the world. Building on our Net Zero Pledge as a leading sustainable investor, we present our first progress update on Net Zero contributions.

Over the past 12 months, climate has become an even greater focus to all our stakeholders. Significantly we have experienced more devastating weather events across the world including wildfires and flooding having tragic impacts on lives and livelihoods. Even the global COVID-19 pandemic, which continues to impact our lives, has not been able to slow the momentum of the Climate transition underway. In many ways, [COP26 in Glasgow](#)

was a watershed summit for business and finance. If it wasn't clear before Glasgow, it should be obvious now that pension funds and investors are, together with multiple other stakeholders, expected to be key contributors to climate solutions. The announcement by the [Glasgow Financial Alliance for Net Zero](#) (GFANZ) that \$130tn of assets under management are now committed to [Net Zero](#) amply demonstrated the movement of capital that is under way. We have representation on the following GFANZ workstreams: Financial Institutions Transition Plans, Sectoral Pathways and Portfolio Alignment Measurement. We also provide technical support to Climate Transition Planning and Sectoral Pathways.

We are proud to be part of the Glasgow Financial Alliance for Net Zero and have committed 100% of our discretionary assets to the [Net Zero Asset Managers Initiative](#) (July 2021), as well as co-founding the [Net Zero Investment Consultants Initiative](#). In the following pages, we report on our progress so far and underline our continued ambition to collaborate and show leadership in this critical area. The different [roads from COP26 in Glasgow stretch out in front of us](#), and we must reflect the great responsibility of our influential industry in this high-stakes transition.

We have set ourselves important goals, but our organisational commitment is clear, supported in no small part by our [Climate and Resilience Hub](#) which employs 90 climate experts. In particular I was delighted this year to see the work of our dedicated Climate Transition Analytics team come to fruition with the launch of the

Climate Transition Index based on their proprietary Climate Transition Value at Risk methodology, and for our own MasterTrust LifeSight to announce its investment in WTW's Climate Transition Index Fund on COP26 Finance Day in November.

Analytics and data will, as ever, be crucial to successfully building resilient portfolios to navigate and support the climate transition. Investors need to think both about the impact of climate change on their portfolio (understanding the financial implications of transition and physical risks) as well as the impact of their portfolios on climate change (understanding of systemic risks and real economy outcomes). A focus on simple decarbonisation alone may not only provide a limited way to manage the risks investors face, but moreover, indiscriminate decarbonisation is not even good for the economy at large until such time as new technologies or sources of power are available and viable on a large scale. With this in mind, we were pleased to co-lead the climate data and metrics work of the Climate Financial Risk Forum, emphasising the need for a balanced scorecard of metrics, including financial risk measures, the importance of allocating capital to climate solutions, and the cross-cutting importance of engagement.

WTW Investments has been pioneering and advocating for the power of effective stewardship for many years now. Our UK Stewardship Code was recognised by the Financial Reporting Council (FRC) amongst the first wave of successful signatories to the updated 2020 UK

Stewardship Code in November of last year. Covering all our investment activities globally, our stewardship activities go beyond climate, to include culture, inclusion and diversity.

Our Thinking Ahead Institute (TAI) has again produced pioneering research and we have been engaging extensively with the asset management industry on these topics. Engagement with the asset management industry is central to what we do, and we also published a short paper to mark 20 years of evolution in our manager research. As the COVID-19 pandemic has exacerbated social and economic structural inequalities, in 2022 TAI will tackle the crucial challenge of Just Transition related to Climate.

I was also pleased to see our work on inclusion and diversity being embraced by many of our asset owner clients. There obviously remains much work to do in our industry on inclusion and diversity, but we are committed to doing that work and making a difference.



Craig Baker
Global Chief Investment Officer



At a glance

About WTW Investments



US\$4.8 trillion
in assets under advice
(as of 2020)



US\$186.6 billion
in delegated assets
under management (as
of 31 December 2021)



Over 1,300
institutional clients
(as of 2020)



Over 900
colleagues in 21
countries across
the globe (as of 31
December 2021)

Our commitment to a net zero future

- **100%** of our delegated portfolios committed to net zero greenhouse gas emissions by 2050. At least a **50% reduction** by 2030
- A commitment to **double** our investments in climate solutions by 2030
- Co-founded and launched the Net Zero Investment Consultants Initiative as part of a group of 12 consultants representing approximately **\$10tn assets under advice**
- Launched **Climate Transition Pathways** accreditation framework in collaboration with the Climate Bonds Initiative
- Creation of a brand-new **climate dashboard** aligned to the Climate Financial Risk Forum climate data and metrics guide which we helped to develop

Launched Climate Transition Index (CTI)

offering investors an innovative solution to help manage climate risk whilst capturing our latest thinking and research with \$1B committed in funds since launch

90+ climate specialists in our Climate Resilience Hub

Manager Research during 2021

150 engagements with over
100 managers on sustainability and stewardship

Researched **168**
sustainability focused strategies

Over **30** public equity
strategies researched with a
climate or environmental focus

25 I&D factors we collect information
and engage with managers on

2,000 products we have
collected I&D data on

85 I&D specific engagements
with managers

EOS at Federated Hermes

Enhanced engagement overlay through EOS at Federated Hermes; over 450 engagements through the GEFF portfolios over 2021. A senior member of our team currently chairs EOS' Client Advisory Board.

Pioneering innovation - Climate Transition Index

WTW has created the [Climate Transition Index \(CTI\)](#) – a family of indices – in partnership with STOXX, an index provider. It offers a systematic and transparent way for investors to manage the financial risk that investment portfolios are exposed to.

The CTI uses the [Climate Transition Value at Risk \(CTVaR\)](#) methodology, which quantifies climate transition risk by integrating forward-looking company assessments with traditional risk and return models.

Using the CTVaR methodology, we are able to determine the climate transition risk that companies face, helping identify risks and potential opportunities for investors.

The CTI captures our latest thinking and research and will help us achieve our net-zero goals.



Beyond carbon

CTI uses more granular analytical approaches to addressing all pertinent impacts of a climate transition on asset prices, rather than focusing solely on carbon emissions as a proxy for climate risk



Forward, not backward

Forward-looking company transition risk is refreshed over time, rather than using historic carbon emissions data



Deeper data

For companies most impacted by climate transition, CTI curates asset level data from multiple sources to build a higher resolution view of climate transition risks and opportunities



Whole economy

The CTI is focused on the wide range of changes needed at a system level – to different goods, services and commodities – in order to drive down greenhouse gases (GHG) emissions consistent with the goals of the Paris Agreement

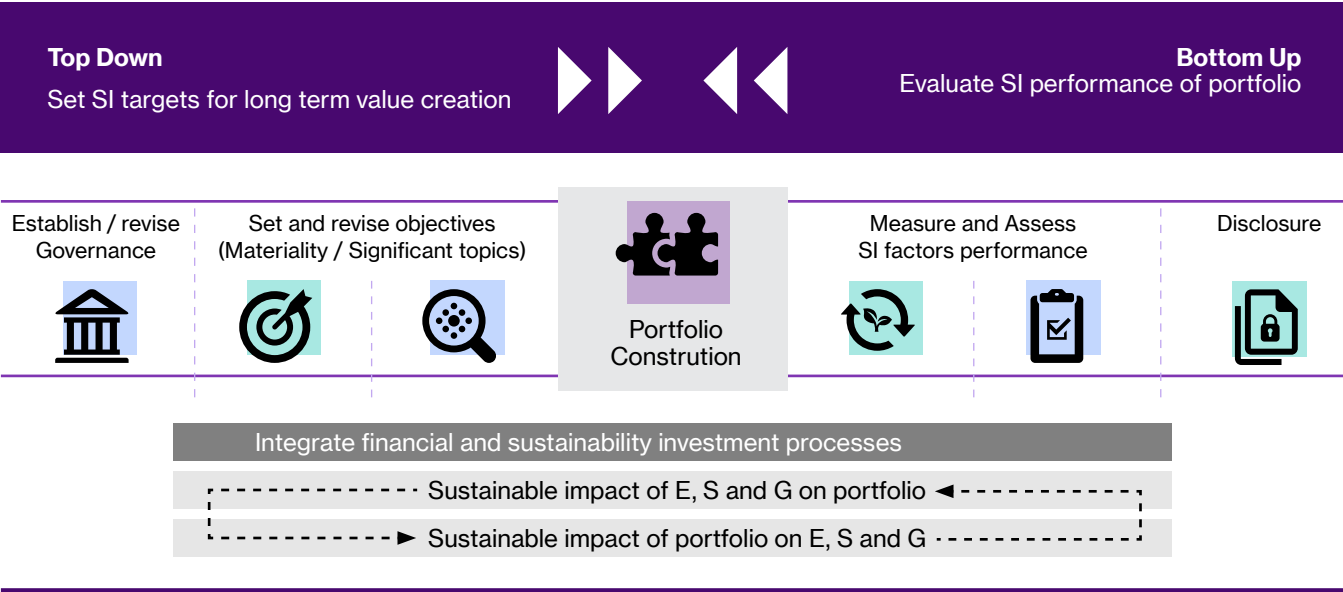
The team behind the CTVaR methodology... WTW's multidisciplinary Climate Transition Analytics (CTA) team is comprised of 20+ members – with experience across investment and consulting, economics, academia, energy and rating agencies.

Investing today for a more sustainable future

Sustainability is critical to our investment business – the solutions we offer, the research we conduct, and the processes we follow.

At WTW, we continually improve our Sustainable Investing (SI) practices, to respond to fast-evolving client needs, regulatory requirements and stakeholder expectations. From the foundations of our SI policy, we have expanded the practices in place to implement and manage our portfolios' SI performance for long-term value creation.

Managing Sustainable Investing portfolio performance



Our approach is to integrate sustainability from the top down – in our investment beliefs, policies and strategies – as well as from the bottom up – in the analyses we perform and reporting we provide across asset research,

manager research and portfolio management. As we evolve to ensure our practices continue to align with SI best practices and regulation, we have detailed actions underpinning our principles of practice:

Top Down SI process management		Portfolio Construction	Bottom up SI process management	
Establish / revise governance	Set and revise objectives (materiality/ significant topics)		Measure and assess performance of SI factors	Disclosure
The SI governance and policies set out the practices and processes for investment management, reporting and decision-making. This ensures accountability for the investment decisions made in relation to the integration of SI across portfolios.	<p>Here, we set out the investment strategies and related sustainability objectives to ensure integration with overall portfolio targets (risk and return).</p> <p>Identification of sustainability objectives which are most significant for optimal performance, is crucial to ensure that over the longer term we:</p> <ul style="list-style-type: none"> • Reduce portfolio level risks and negative sustainability outcomes; and • Increase portfolio level exposures to sustainable solutions and positive real world outcomes. <p>For example, climate change is a significant topic of focus.</p>	Portfolio construction-related actions ensure matching the sustainability-related objectives (top down) and the sustainability performance of the portfolio (bottom up).	<p>Measurement relies on disclosures from managers, based on their analysis of disclosures from corporates and underlying holdings. It may be in the form of metrics, indicators or values. We are working through the challenges around information quality and data availability, including via the use of surveys, proxy data, and verified actual data.</p> <p>The data and information are used to apply an assessment as to whether or not the SI factor has a positive or negative effect on the overall portfolio's sustainability performance. An assessment includes:</p> <ul style="list-style-type: none"> • Analytics of SI measures, or combination of measures/metrics/ indicator sets; • Externally provided information to benchmark performance; and • Science-based thresholds or societal norms to determine the performance relative to an environmental boundary or societal norm 	Various forms of regulated and voluntary disclosures are required for investments. These are required across all of the above sections and can vary substantially across regions and investment types.

Internal governance structure

The governance of our SI processes is one of our priorities across our business and is constantly being enhanced to respond to fast changing regulation and best practice.

SI ultimately is the responsibility of the Global Chief Investment Officer (via the Global Leadership Team) who oversees all investment content and portfolio management activity. The Head of Sustainable Investment, alongside the Head of Sustainability Solutions and the Head of Stewardship, is tasked and empowered to ensure teams and individuals are applying best practice SI principles in their day to day roles, as well as providing advice and training to associates as necessary.

Each associate applies SI as tailored to their particular role, further supported by a network of over 80 SI champions across the business. These SI champions are key in applying our beliefs and frameworks to their particular team and area of expertise. This network has representations across all our teams and geographies.

Our governance structure mirrors our commitment to integrating SI in everything we do. We have continued to invest in talent and technology to ensure all our clients and stakeholders benefit from leading sustainability expertise.



	Description of governance role	Responsibility
WTW Global Leadership Team	Determines SI targets and commitments aligned to organisational strategies	E.g. Set organisational commitment to Net Zero and approve commitment to Net Zero Asset Managers Initiative
Investments Global Leadership Team	Sets the overall strategy, KPIs, and allocates resources to SI, as part of overall investment business objectives	E.g. Mobilises resources, approves business specific commitments including Net Zero Investment Consultants Initiative
Global Portfolio Management Group, Fund Investment committees, and Client Executive Committees	Adopts and applies the SI policies and strategies; Implements SI best practice based on Fund or Client investment strategic objectives	E.g. Set Fund-specific short- and medium-term climate targets and implement climate strategy
SI Steering Group	Implements SI approach based on KPIs from Investments leadership Sets SI policies, strategies and principles of practice Provides support for measurement and reporting of SI-related performance across the portfolios	E.g. Establish Net Zero working groups, develop technical guidance and climate risk management methodologies

Managing climate risk

Climate is a financial risk; it is far-reaching, systemic and foreseeable. As investors, we have a really important role to shape the system going forward and to help steward a whole economy transition to a net zero and resilient future.

Our core beliefs state that climate change, and a just transition to net zero greenhouse gas emissions, is a systemic and urgent global challenge which necessitates specific risk management, identification of opportunities and collective action. We recognise that the investment industry is not simply a 'taker of outcomes' generated by the investments it makes, but rather as allocators of capital and stewards of its clients' assets, it can and should play a meaningful part in a just transition.

In particular, we emphasise the importance of:

- A combination of decarbonising existing investments and new investments in long-term climate solutions
- Using multiple 'levers' including changes to risk management and asset allocation, manager selection, and index design
- The critical importance of effective stewardship and policy level engagement

This year we have codified our climate commitments through our [net zero pledge](#), becoming a signatory of the [Net Zero Asset Managers Initiative](#) with 100% of our discretionary assets, and co-founding and launching the [Net Zero Investment Consultants Initiative](#).

Progress on our Net Zero commitment

A vital part of our net zero commitment is ensuring that we have the governance and processes in place across our investment business to allow us to make tangible progress towards our goals and interim targets.

The following table outlines our plan of implementation in line with the framework, from establishing governance and setting objectives, to constructing portfolios in line with that, before measuring and assessing their climate performance.

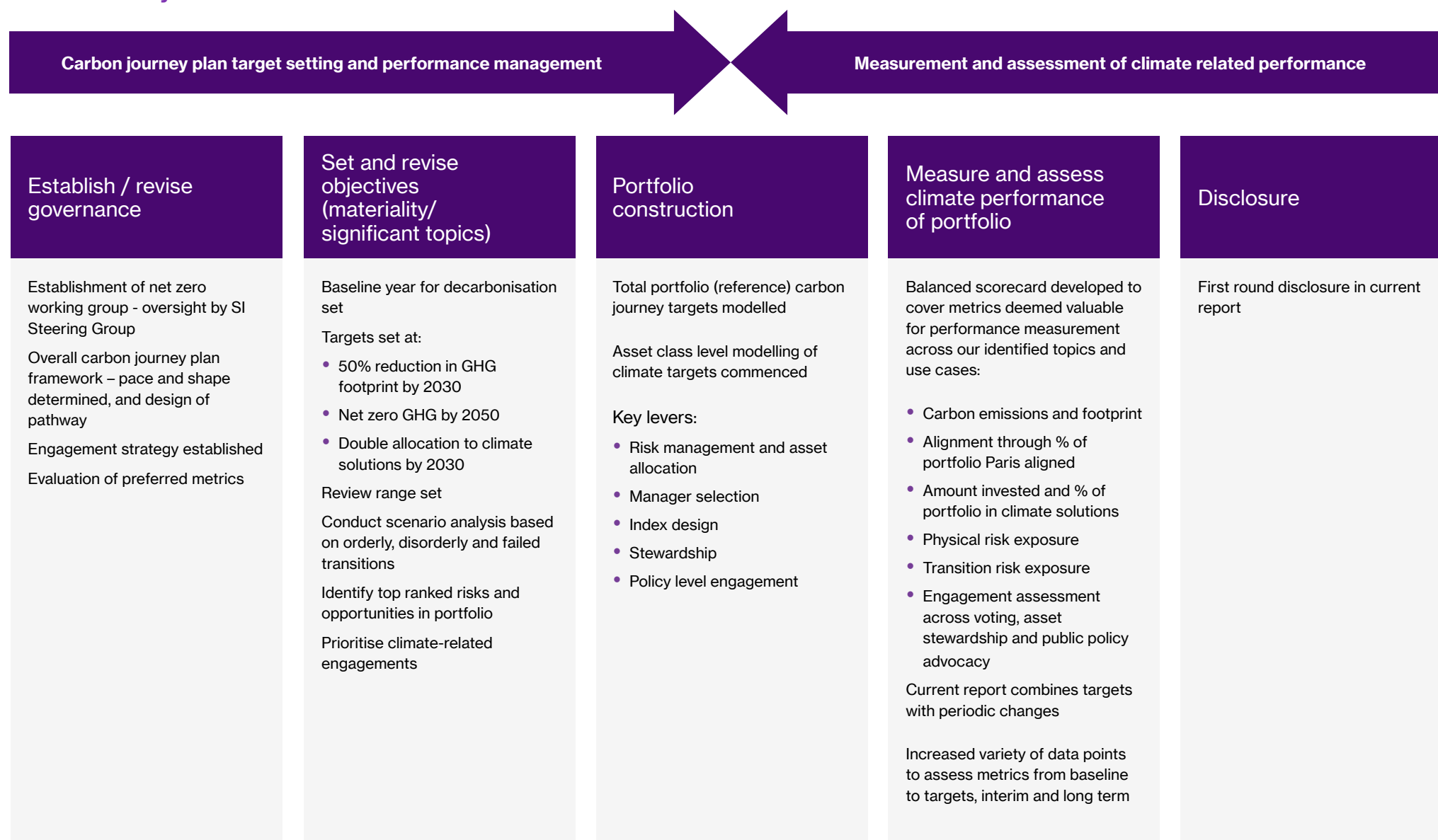
The final stage is the disclosure of this progress, which we include as part of our overall SI performance and detail further in this report.

Since making our formal net zero commitment, alongside our own carbon journey plans, we have continued to invest significantly in climate metrics and data, identifying those which are valuable for performance measurement across our identified topics and use cases. This report aims to show an increased variety of data points to assess metrics from baseline to targets, both in the interim and against long-term goals.

A major element of this focus on climate metrics and data has been our work on understanding and measuring climate transition risk. Driven by our team of transition analytics experts in our 90-strong [Climate Resilience Hub \(CRH\)](#), our proprietary [CTVaR methodology](#) offers real insight into the financial risk posed by a climate transition, helps guide investors on how to better manage that risk, and also informs systemic responses to the critical elements of a successful and orderly transition.



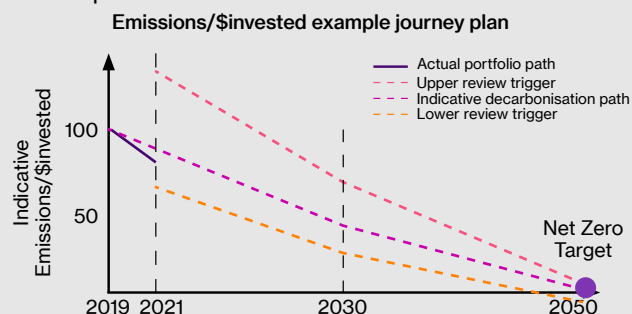
Carbon Journey Plan framework



This year has focused on our carbon journey plan, climate target setting and metric selection. The summary of the methodologies used is illustrated below and is aligned with the Institutional Investor Group on Climate Change's (IIGCC), Net Zero Investment Framework, Taskforce for Climate-related Financial Disclosure (TCFD), Climate Financial Risk Forum (CFRF) and other relevant standards and guidelines. These have been applied across asset classes. Subsequent reporting will continue to improve in line with evolving best practice.

Carbon Journey Plan – Monitoring Framework

The role of the Carbon Journey Plan is specifically to cover the top-down measurement of relevant climate metrics to align with the Paris Agreement. A more comprehensive balanced scorecard framework assessing decarbonisation, alignment, transition finance, transition risk, physical risk and engagement, is shown below to further guide decision making relative to net zero objectives and commitments. The figure below shows an indicative carbon journey plan and illustrates a hypothetical carbon budget for each year for the portfolio.



Determining the Baseline Year for decarbonisation

- Consistent with the Net Zero Asset Managers Initiative (NZAMI) and Net Zero Asset Owner Alliance (NZAOA), the baseline year of **2019 is recommended**.

Defining the trigger ranges

- We have been clear that there are times when it makes financial sense to be ahead of the planned average trajectory, and times when it makes sense to be behind. The triggers are there to ensure there is a review to ensure the financial case exists at times when the portfolio is a long way from the expected trajectory rather than a failure of the approach. Often being above the upper trigger can be influenced by a very small number of portfolio holdings that are themselves making good progress to net zero. For simplicity we have set the triggers at +/-30% of the average planned trajectory, but only starting 3 years after the baseline year, e.g. end 2022.



Managing our portfolio performance alongside our carbon journey plan is the result of a careful combination of setting top-down targets for long-term value creation alongside bottom-up evaluations of the portfolio's performance. In line with the CFRF's guidance, we are considering the impact of our portfolios on climate change as well as the impact of climate change on our portfolios, in the form of a climate dashboard.

Our climate dashboard

Category	Use case	Current metric	Notes
Impact of climate change on the portfolio	Transition Risk	Climate Transition Value at Risk	
	Physical Risk	Proportion of portfolio exposed to significant physical risks	Quantifying physical risk is a major focus, led by our Climate Quantified program and our leadership of the Coalition for Climate Resilient Investment
Impact of the portfolio on climate change	Decarbonisation	Financed emissions – emissions / \$ invested	We assess total emissions and carbon footprint, also looking to exclude the impact of market movements to focus on actual underlying decarbonisation
	Alignment	% assets Paris aligned	We draw on multiple lenses here, including Science Based Targets Initiative (SBTi), Transition Pathway Initiative, Climate Action 100+. We also utilise the guidance and methodologies outlined in the Net Zero Investment Framework.
	Mobilising transition finance	Exposure to climate solutions	Aligned to EU Taxonomy and IIGCC methodologies.
Cross-cutting	Engagement	Climate engagement activities, voting records, public policy advocacy and collaboration.	Engagement through multiple mechanisms – asset-level engagement, voting, public policy and advocacy and collaboration. See the Stewardship Section.

Having made substantial progress for target setting and measurement approaches, going forward increased focus will be on assessing climate-related performance and ensuring ESG and climate-related information is readily available to support the investment-decision making process.



Culture, Inclusion and Diversity

What does culture, inclusion and diversity mean to us?

We believe that culture is a superpower essential for the most exceptional and effective investment teams. Our culture is a key part of our success, and through our everyday behaviours we continue to invest in it.

A significant part of this is a culture of inclusivity, where every colleague feels they can bring their authentic selves to work every day. This means that how we embed our principles around [inclusion and diversity \(I&D\)](#) into everything we do is critical to our business.



We define culture as the collective influence from shared values and beliefs on the way an organisation thinks and behaves.

We understand that being part of a more inclusive and diverse investment industry requires internal reflection as much as it does external, and we robustly measure our own progress and strive to improve on areas of weakness.

Some steps we have taken to improve culture in our Investments business:

- Introduced a scorecard target to improve the diversity of decision-making teams and undertaken reviews of key leadership teams by inherent traits and cognitive diversity.
- From 1 January 2019 to 30 September 2021 the proportion of women on our key portfolio decision-making groups increased from 17% to 26%. During the same period, the number of women at director level within investments increased from 18% to 25%.
- Significantly expanded our training schedule to encompass inclusive people manager training, externally facilitated immersive inclusion training, unconscious bias training, small group 'let's talk about race' sessions and LGBT ally training.
- Our hiring processes have become more diverse through initiatives such as Returners To Work and #10000blackinterns, as well as a thorough and ongoing review of job specifications.



On a corporate level, WTW has many initiatives to enhance our culture, sense of purpose and to improve I&D within our teams. Our inclusion networks and Inclusion & Diversity Councils work across regions to engage employees in each office. We have networks established across the globe including Gender Equity, LGBT+, Multicultural, Workability and Young Professionals. Our networks are sponsored by a senior leader within the geography in which they operate to ensure representation, engagement and participation and to engage in reverse mentoring to better understand the experiences of our employees. These networks bring people together to help determine priorities and implement new initiatives.

Working collaboratively within our industry

Recognising the role we play in our industry to drive change is vital. Collectively we need to improve, and as a firm we are committed to better effecting change. This year we have continued to collaborate with others to combine knowledge and experiences to generate greater impact:

- Signed the [Diversity Project's Asset Owner Diversity Charter](#), a commitment to work together to build an investment industry which represents a more balanced and fair representation of our societies. As part of that, we commit to incorporating diversity questions into manager selection and ongoing manager monitoring, as well as leading and collaborating with others to identify best practice.
- Part of the [Institutional Investing Diversity Cooperative \(IIDC\)](#), a collective of some of the largest and most prominent institutional investment consultants, which aims to promote greater diversity in the institutional asset management industry by advocating for access to data that would capture multiple dimensions of diversity. We contributed to the design of its [Diversity Disclosure Standard](#), published Sept 2021, which is intended to help IIDC members self-report their diversity characteristics and practices using the same definitions and standards the IIDC has set for asset managers.
- Co-authored the Diversity Project's response to the UK regulators' (PRA, BoE and FCA) discussion paper, '*Diversity and inclusion in the financial sector – working together to drive change.*' We also provided our own company response to it where we supported multiple areas, alongside raising suggestions or areas of concern where we felt the regulator could develop further.
- Our global not-for-profit research and innovation hub, the Thinking Ahead Institute, continues to focus on culture as a key part of its research and has launched the next phase of its global peer study, [The Power of Culture](#). You can find their conclusions from the first part, as well as interesting articles, podcasts and videos on their [website](#).



Seeking the best investments globally

We believe greater I&D leads to better investment outcomes and is crucial for the long-term success of the teams and products we invest with. Greater diversity of thought generates robust decision making, and inclusive teams are more stable, agile and cohesive. We discuss this in our recent paper, [Diversity in the asset management industry](#).

Inclusion and Diversity beliefs



Diverse teams lead to better long-term outcomes.



Diversity should be examined across multiple dimensions.



A strong and inclusive culture is necessary for the sustainability of a product's success.



Increasing diversity in the industry requires active engagement.

I&D has been part of our manager research and portfolio management process for many years, explicitly drawn out through our Culture reviews and engagement with managers. More recently in 2020 and 2021, we have redoubled our efforts in this high priority area and have made some leaps forward, working to collect broader diversity data and create holistic tools for our internal teams and clients to assess diversity. We are collecting information on 25+ I&D factors for over 2,000 products in our proprietary database and have requested additional metrics for 450+ of our Preferred rated products. Through 2022, we will be expanding our data collection further, leveraging our collaboration with the Diversity Project and the Asset Owners Diversity Charter to build out an extensive industry-standard questionnaire. Higher quality diversity data allows us to:

- Supplement and support our qualitative I&D assessments and ensure robust, objective integration of I&D throughout our research and investment processes
- Gain a deeper understanding of the diversity in our decision-making groups and portfolios, and spur measurable action to address gaps. Looking ahead, we intend to use this data to create I&D objectives and targets for our portfolios on areas such as data transparency and growth in diversity across various metrics
- Create holistic tools and processes that enable clients to incorporate I&D into their own portfolio decision-making

Client tools

In addition to our work with asset managers, we have created a number of tools to help our clients consider I&D holistically across their portfolios and their own decision-making groups.

- The Diversity Dashboard provides a comprehensive overview of the diversity across a portfolio, identifying the current level of data transparency and the average level of diversity across ownership, senior leadership and investment teams. It is important to measure diversity across multiple dimensions and across the firm. Taking this broader approach ensures diversity is present in all the areas it is beneficial, right from setting the strategic direction of a firm to decisions on a single trade. Using the Diversity Dashboard as the foundation, we can also work with clients to form a long-term I&D action plan to improve or maintain diversity within their portfolio. This can include recommendations for manager rotations to increase diversity, targeted engagements with existing managers as well as focused manager selections to improve a particular metric.
- Our Investment Committee Diversity tool encourages our clients to look inward. The tool surveys IC members across 16 areas of diversity to build a rich picture across inherent, acquired and cognitive traits. It then produces analysis and recommendations for potential changes to the decision-making process.

Alongside better data, we continue to amplify our sourcing and engagement efforts. Acting on sourcing and engagement in parallel gives us the greatest chance at making a wider impact across the industry. We are actively broadening out our sourcing channels via networks, banks and private and public databases to seek more diverse teams. We have a pipeline of 650+ diverse managers to date, across varying lenses of diversity. We believe engagement with all firms and teams, particularly those who are not currently diverse by certain lenses, will be crucial to improve the industry systemically as less diverse firms currently make up a large portion of the global assets under management. We continue to undertake regular I&D engagements with managers, with a nearer term focus on more data transparency and more robust I&D policies and initiatives. In the course of 2021, the manager research team conducted over 85 such engagements.

2021 I&D milestones

- Data on 25+ I&D factors collected for 2,000+ products, and detailed Diversity data collected on 450+ products
- 650 diverse managers in our pipeline
- 85+ I&D specific engagements with managers in 2021
- 18+ client projects on I&D
- Investment Committee diversity analysis on WTW investment teams
- WTW sign the Asset Owner Diversity Charter
- WTW contribute to design of Diversity Disclosure Standard





Stewardship

WTW Investments has been pioneering and advocating for the power of effective stewardship for many years now. We believe that effective stewardship is a critical aspect of sustainable investment and important to a well-functioning investment industry. Further, we recognise our role as an influential industry participant, and seek to exercise our stewardship responsibilities, either directly or via third parties, across a range of activities. These include asset manager engagement, issuer- and asset-level engagement, exercising voting rights, and via collaborative initiatives and public policy advocacy across the industry.

We also engage extensively with our clients, and with asset owners in general. This is partly to ensure that we provide the best possible services and outcomes now and into the future with a close understanding of their needs. However, this engagement is also important to help them shape and contribute to a sustainable investment industry where they themselves can be influential and advocate for and support positive change.

You can find out more in our recent [UK Stewardship Code Report](#) [here](#). The Code sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them, and is recognised as industry best practice. We were one of the first wave of signatories to the updated 2020 UK Stewardship Code.

Manager research

The goals of our manager research process are:

- Finding the best asset managers capable of delivering superior outcomes to our clients
- Working with them to explore ways to better meet our clients' evolving needs and industry best practice

Each of our asset manager appointments is seen as a long-term partnership with an institution we highly rate. Our manager research team practices asset manager engagement in the same manner that we ourselves expect asset managers to engage in a constructive dialogue with the businesses and assets they own.

The three key areas with respect to SI are climate risks, organisational culture, and inclusion and diversity. What constitutes best practice in these three areas has been rapidly evolving, and as a result, we engage with asset managers not only to evaluate their current capabilities, but also their plans and desired outcomes in the future and ways of achieving them.

As part of our ongoing research and contact with managers, we identify areas of concern and will highlight these to the manager, alongside the rationale for our concerns and suggestions of actions they can take to alleviate our concerns. We encourage the manager to resolve these issues within a reasonable window, typically around 12 months. Should there be little or no change, we will engage with them further to understand the rationale for the lack of progress and may take steps to review



our rating for the strategy in question which may, in turn, impact our client investment portfolios.

Over the course of 2021 we undertook over 150 engagements with over 100 managers on the topics of sustainability, climate and stewardship.

With closed-end funds, we often have significant representation on investor advisory committees which allows us a clear mechanism for ongoing engagement, oversight and influence. We currently have seats on over 60 investor advisory committees.

Our overall view of a manager's ability to sustain a competitive advantage takes into account the manager's sustainable investment capabilities and the overall rating we place on a manager will reflect our view of their consideration of ESG factors as an integrated part of their process and how they behave as stewards of client capital.

But our aim to change investment for the better continues and, as industry practice has evolved, we have raised the bar for what we consider to be good practice. New criteria are constantly incorporated into the things we ask managers and we review this regularly. For example, as mentioned in the previous section, we believe a strong culture and greater I&D leads to better investment

outcomes and is crucial for the long-term success of the teams and products we invest with, therefore we are collecting increasing information on I&D factors. We are also increasingly engaging with managers on climate in line with our net zero commitment, meaning we require greater depth of detail in the information and data managers provide us with.

EOS at Federated Hermes

EOS at Federated Hermes (EOS) is a highly regarded specialist stewardship provider that engages with and provides voting advice on companies held in our public equity and credit portfolios. EOS also carries out public policy engagement and advocacy on behalf of all of our clients. Its influence and scale continue to grow - as of 31 December 2021 EOS represented \$1.6trn of assets under advice.

We have been working closely with EOS for many years, and a senior member of our team currently chairs its Client Advisory Board. We engage with EOS to help shape its engagement approach and voting policies. For example, in late 2021 we discussed how to better incorporate real world impact within company net zero transition plans to avoid higher emitting assets being offloaded to third parties who may have a worse record in management of GHG emissions.

When investing we, like others, face a wide range of ESG issues to navigate. We encourage asset managers to actively engage with companies (and other types of issuer) to improve these risks – for example pushing a company to reduce waste. Doing this reduces investment risk and benefits the environment. We have seen improvement over time in the efforts of asset managers, but we recognise that they have finite leverage, the scope of the issues is complex and sometimes wider engagement with key industry bodies or regulators is called for. This is why the additional engagement work by EOS – on top of the underlying managers – is very valuable. The EOS engagement team brings complementary skill sets and an ambitious engagement programme. This includes working to influence public policy makers or industry bodies. EOS often co-leads key collaborative industry efforts.

One example is [Climate Action 100+](#) (CA100+), an investor initiative aiming to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. It targets 167 companies globally. EOS is among over 615 investors, totaling \$65tn under management, who have signed up to CA100+. EOS led or co-led the engagement on over 25 focus companies and is collaborating with other investors on over 30 companies as part of this initiative.

In last year's report, we explored the engagement that EOS has undertaken with major oil and gas companies through CA100+. EOS has continued such climate engagement with companies and as part of this strong momentum, CA100+ issued its net-zero benchmark for the world's largest carbon emitters in March 2021. This defined the key indicators of success for business alignment with a net-zero emissions future and the Paris Agreement goals. EOS helped to design the benchmark, which set clear engagement priorities to drive faster climate action. The plan is to refine and expand the benchmark over time and it is likely to become a key test for companies.

We also wrote last year about the importance of [stewardship in fixed income](#). Over the course of 2021 we added EOS' engagement service to two of our TWIM public credit funds, alongside the existing equity funds.

Within TWIM's public equity funds, we delegate voting rights and the execution of those rights to our managers for the securities they hold. On top of this EOS provides voting guidance to the underlying asset managers based on their voting policy and experience engaging with companies. We continue to monitor and challenge how the asset managers vote, particularly where they adopt a materially different view to EOS guidance.

For further details on EOS, its corporate engagements, voting advice and public policy work, please [visit its website](#).



WTW collaborations

One of our core investment beliefs is our strong conviction that collaborative engagement and advocacy are important to give the investment industry a stronger voice and improve investment outcomes for all participants. Consistent with our fiduciary duty and our aim of changing investment for the better, we do this in a number of ways, including engaging in a dialogue with regulators and policymakers and participating in the work of industry bodies and collaborative investor initiatives,

Below are a few examples of various industry initiatives WTW Investments is actively part of:

- **Net Zero Investment Consultants Initiative (NZICI):** We were one of twelve investment consultants to launch [NZICI](#) in 2021, committing to supporting the goal of global net zero greenhouse gas emissions by 2050 or sooner through nine commitments, applying to investment advisory services, fully discretionary services and our own business operations. Its twelve signatories at the time of launch are responsible for advising on assets exceeding \$10 trillion.
- **Net Zero Asset Managers Initiative (NZAMI):** We are a signatory of [NZAMI](#), an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner. We have committed 100% of our delegated portfolios to the initiative. NZAMI has 236 signatories with \$57.5 trillion assets under management (as at Feb 2022).
- **Investment Consultants Sustainability Working Group (ICSWG):** We co-founded the [ICSWG](#) in 2020 and are currently members of two key workstreams. Bringing

together leading UK investment consulting firms, its membership has grown to nearly 20 organisations with the aim of seeking to improve sustainable investment practices across the investment industry. ICSWG has since produced several useful industry resources [accessible here](#), as well as producing responses to four consultations in 2021.

- **Principles for Responsible Investment (PRI):** We are a signatory to the PRI, and further information as well as our annual Transparency Report can be found at www.unpri.org.
- **UK Stewardship Code:** We were one of the first wave of signatories to the updated 2020 UK Stewardship Code, and we encourage and help our clients to adhere to its guidelines. Our 2020 UK Stewardship Code Report can be found [here](#).
- **The Diversity Project:** We are founder members of this investment industry initiative which aims to attract and retain diverse talent in the industry. We have recently signed its [Asset Owner Diversity Charter](#), a commitment to work together to build an investment industry which represents a more balanced and fair representation of our societies.
- **Transition Pathway Initiative (TPI):** We are official supporters of this global investor initiative that assesses companies' preparedness for transition to a low-carbon economy. Led by asset owners and academic research from the Grantham Research Institute and London School of Economics, TPI is supported by more than 118 investors globally, jointly representing over \$40 trillion combined assets under management and advice (as of December 2021).



- **Institutional Investors Group on Climate Change (IIGCC):** We are members of this European investor collaboration with a mission to support and enable the investment community in driving significant and real progress by 2030 towards a net zero and resilient future, which has more than 370 members, across 22 countries, representing over €50 trillion in assets under management (as at December 2021). We have also joined its sister initiatives in Asia (AIGCC) and Australasia (IGCC).
- **Thinking Ahead Institute (TAI):** Our global not-for-profit research and innovation group, established in 2015, now has 48 members with combined responsibility for over \$12 trillion. The group's vision is to mobilise capital for a sustainable future. Its members comprise of asset owners, asset managers and other groups motivated to influence the industry for the good of savers worldwide.
- **WTW Research Network:** Founded by WTW 15 years ago, this is a collaboration between academia and our insurance and reinsurance experts, working on programs and projects with over 60 science partners worldwide.
- **Coalition for Climate Resilient Investment (CCRI):** We launched the [CCRI](#) at the UN Climate Action Summit in 2019 in partnership with the World Economic Forum and the governments of the UK and Jamaica. It now has over 120 members across 21 countries representing over \$20 trillion of assets (as of February 2022). CCRI aims to create a more resilient global financial industry in which key incentive structures foster an accurate pricing of physical climate risks in investment decision-making, resulting in more resilient economies and communities across the world.

- **Glasgow Financial Alliance for Net Zero (GFANZ):**

We have representation on the following GFANZ workstreams: Financial Institutions Transition Plans, Sectoral Pathways and Portfolio Alignment Measurement. We also provide technical support to Climate Transition Planning and Sectoral Pathways.

Additionally, we support and contribute to several more industry initiatives through senior colleagues being members of working groups, committees and boards across various organisations. We also proactively respond to a range of industry and government consultations and reports worldwide.

[Click here](#) for details of the many more initiatives WTW is involved with as a wider organisation.

Disclaimers

Towers Watson Investment Management Limited ("TWIM") of 51 Lime Street, London, EC3M 7DQ, is authorised and regulated in the United Kingdom by the Financial Conduct Authority (FCA Register Firm Reference Number 446740, refer to the [FCA register](#) for further details) and incorporated in England and Wales with Company Number 05534464.

The Asset Management Exchange (Ireland) Limited ("AMXI") appointed TWIM as the investment manager to the WTW Irish range of actively managed funds from 1 June 2022. AMXI was incorporated on 17 August 2018 under registration number 632258 and its registered office is at Riverside One, Sir John Rogerson's Quay, Dublin 2, Ireland. AMXI is authorised and regulated by the Central Bank of Ireland.

Towers Watson Limited (trading as Willis Towers Watson) (Head Office: Watson House, London Road, Reigate, Surrey, RH2 9PQ) is authorised and regulated in the United Kingdom by the Financial Conduct Authority (FCA Register Firm Reference Number 432886, refer to the [FCA register](#) for further details) and incorporated in England and Wales with Company Number 05379716.

Willis Towers Watson (WTW) has prepared this document for general information purposes only and it should not be considered a substitute for specific professional advice. In particular, its contents are not intended by WTW to be construed as the provision of investment, legal, accounting, tax or other professional advice or recommendations of any kind, or to form the basis of any decision to do or to refrain from doing anything. As such, this material should not be relied upon for investment or other financial decisions and no such decisions should be taken on the basis of its contents without seeking specific advice.

This material is based on information available to WTW at the date of this material or other date indicated and takes no account of developments after that date. In preparing this material we have relied upon data supplied to us or our affiliates by third parties. Whilst reasonable care has been taken to gauge the reliability of this data, we provide no guarantee as to the accuracy or completeness of this data and WTW and its affiliates and their respective directors, officers and employees accept no responsibility and will not be liable for any errors, omissions or misrepresentations by any third party in respect of such data.

None of the information contained within this communication should be construed as giving investment advice. This document in no way constitutes an invitation to subscribe to any fund mentioned herein. Any reference to underlying funds within the portfolio is only for illustrative purposes and opinions expressed herein may be changed without notice at any time.

This material is provided to you solely for your use, for the purpose indicated. It may not be provided to any other party without WTW's prior written permission, except as may be required by law. In the absence of our express written agreement to the contrary, WTW and its affiliates and their respective directors, officers and employees accept no responsibility and will not be liable for any consequences howsoever arising from any third party's use of or reliance on this material or any of its contents.

This material may incorporate information and data made available by certain third parties, including (but not limited to): Bloomberg L.P.; CRSP; MSCI; FactSet; FTSE; FTSE NAREIT; FTSE RAFI; Hedge Fund Research Inc.; ICE Benchmark Administration (LIBOR); JP Morgan; Markit Group Limited; Russell; and, Standard & Poor's Financial Services LLC (each a "Third Party"). Details of the disclaimers and/or attribution relating to each relevant Third Party can be found at this link <https://www.wtwco.com/en-GB/Notices/index-vendor-disclaimers>.

The Asset Management Exchange and AMX are trading names of (1) The Asset Management Exchange (Ireland) Limited ("AMX Ireland") registered in Ireland, No. 632258, authorised and regulated by the Central Bank of Ireland, registered in with the Securities Exchange Commission as an Exempt Reporting Adviser (CRD 307218); and the Commodity Futures Trading Commission as a Commodity Pool Operator, member of the National Futures Association (NFA ID 0517520), (2) The Asset Management Exchange (UK) Limited ("AMX UK"), registered in England, No. 11555138, authorised and regulated by the Financial Conduct Authority No. 823316; and Australian ARBN. 648 201 610, and exempt from the requirement to hold an Australian Financial Services License under ASIC Class Order [03/1099] and (3) The Asset Management Exchange (IP Co.) Limited (registered in England, No. 11686713).

This document is based on information available to AMX at the date of issue and takes no account of subsequent developments after that date. While reasonable care has been taken to gauge the reliability of this data, we provide no guarantee as to the accuracy or completeness of this data and AMX and its affiliates and their respective directors, officers and employees accept no responsibility and will not be liable for any errors or misrepresentations in the data made by any third party. In the absence of our express written agreement to the contrary, AMX accepts no responsibility and will not be liable for any consequences howsoever arising from any use of or reliance on this document or any of its contents.

This material is for general informational purposes only and should not be considered a substitute for specific professional advice. In particular its contents are not intended to be construed as the provision of investment, legal, accounting, tax or other professional advice or recommendations of any kind, or to form the basis of any decision to do or to refrain from doing anything. This material should not be relied upon for investment or other financial decisions and no such decisions should be taken on the basis of its contents without seeking specific advice.

The Asset Management Exchange UCITS CCF (the "Fund") is an umbrella Common Contractual Fund, authorised as a UCITS by the Central Bank of Ireland pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011, as amended. The management company of the Fund is AMX Ireland. AMX UK is appointed as a Distributor.

This document is for use only by (1) qualifying institutional investors (meaning Professional Clients as defined in Annex II of the Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments ("MiFID II")) who are also non-US persons (US persons are not able to invest in the Fund) and (2) current and potential investment managers of AMX funds. No other person is approved to receive the information in this document should return it to AMX.

This document may not be reproduced or distributed to any other party, whether in whole or in part, without AMX's prior written permission, except as may be required by law.

The value of all investments and the income from them can go down as well as up. Past performance is not a reliable indicator of future returns.

AMX does not warrant the accuracy, adequacy or completeness of the information and data, some of which has been provided by third parties, contained herein and expressly disclaims liability for errors or omissions in this information and data. No warranty of any kind, implied, expressed or statutory, is given in conjunction with the information and data here presented.

The CCFs are not open to US investors and this material is not suitable for US persons.

Copyright © 2022 AMX. All rights reserved.



About WTW

At WTW (NASDAQ: WTW), we provide data-driven, insight-led solutions in the areas of people, risk and capital. Leveraging the global view and local expertise of our colleagues serving 140 countries and markets, we help you sharpen your strategy, enhance organisational resilience, motivate your workforce and maximise performance. Working shoulder to shoulder with you, we uncover opportunities for sustainable success — and provide perspective that moves you. Learn more at wtwco.com.



wtwco.com/social-media

Copyright © 2022 WTW. All rights reserved.
WTW_37950_06/22

wtwco.com

